The Major Retirement Preparation Mistakes

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Much is out there about the classic financial mistakes that plague startups, family businesses, corporations, and charities. Aside from these blunders, some classic financial missteps plague retirees.

Calling them "mistakes" may be a bit harsh, as not all of them represent errors in judgment. Yet, whether they result from ignorance or fate, we need to be aware of them as we prepare for and enter retirement.

Timing Your Social Security. As Social Security benefits rise about 8% for every year you delay receiving them, waiting a few years to apply for benefits can position you for higher retirement income. Filing for your monthly benefits before you reach Social Security's Full Retirement Age (FRA) can mean comparatively smaller monthly payments. Meanwhile, if you can delay claiming Social Security, that positions you for more-significant monthly benefits.[1]

Underestimating medical bills. In its latest estimate of retiree health care costs, the Center for Retirement Research at Boston College says that the average retiree will need at least $4,300 per year to pay for future health care costs. Medicare will not pay for everything. That $4,300 represents out-of-pocket costs, which includes dental, vision, and extended care.[2]

Taking the potential for longevity too lightly. Actuaries at the Social Security Administration project that around a third of today's 65-year-olds will live to age 90, with about one in seven living 95 years or longer.[3]

Withdrawing too much each year. You may have heard of the "4% rule," a guideline stating that you should take out only about 4% of your retirement savings annually. Many retirees use it as one guideline for retirement income.

So, why do others withdraw 7% or 8% a year? In the first phase of retirement, people tend to live it up; more free time naturally promotes new ventures and adventures and an inclination to live a bit more lavishly.

Ignoring tax efficiency. It can be a good idea to have both taxable and tax-advantaged accounts in retirement. Assuming your retirement will be long, you may want to assign this or that investment to its "preferred domain." What does that mean? It means the taxable or tax-advantaged account that may be most appropriate for it as you pursue a better after-tax return for the whole portfolio.

Many younger investors chase the return. Some retirees, however, find a shortfall when they try to live on portfolio income. In response, they move money into stocks offering significant dividends or high-yield bonds – something you might regret in the long run.

The market value of a bond will fluctuate with changes in interest rates. As rates rise, the value of existing bonds typically falls. If an investor sells a bond before maturity, it may be worth more or less that the initial purchase price. By holding a bond to maturity an investor will receive the interest payments due, plus your original principal, barring default by the issuer. Investments such as high-yield bonds that seek to achieve higher yields also involve a higher degree of risk.

Dividends on common stock are not fixed and can be decreased or eliminated on short notice.

Retiring with heavier debts. It is hard to preserve (or accumulate) wealth when you are handing portions of it to creditors.

Putting college costs before retirement costs. There is no “financial aid” program for retirement. There are no “retirement loans.” Your children have their whole financial lives ahead of them. Consider other alternatives before touching your home equity or your retirement accounts to pay for their education expenses.

Retiring with no investment strategy. An unplanned retirement may bring terrible financial surprises.

These are some of the classic retirement mistakes. Why not try to avoid them? Take a little time to review and refine your retirement strategy in the company of the financial professional you know and trust.

“What you get by achieving your goals is not as important as what you become by achieving your goals.”

– Zig Ziglar

Salmon Teriyaki

Serves 2-4

Ingredients:

- 2 Tbsp. soy sauce
- ¼ cup water
- 1½ Tbsp. brown sugar
- 1 tsp. garlic, minced
- 1 tsp. ginger, minced
- 2 tsp. clover honey
- ½ tsp. toasted sesame oil
- 2 tsp. cornstarch
- 4 salmon fillets
- Salt and pepper, to taste
- 1 Tbsp. vegetable oil
- 1½ Tbsp. sesame seeds
- 1½ Tbsp. green onions

Directions:

1. Mix soy sauce, water, brown sugar, garlic, ginger, clover honey, and toasted sesame oil in a pot over medium-high heat. Keep stirring until the brown sugar dissolves.
2. Bring to boil over high heat.
3. Add 1 Tbsp. of cold water to cornstarch and stir until dissolved. Pour into sauce.
4. Boil mixture for 1 to 2 minutes and set aside.
5. Season salmon with salt and pepper.
6. Oil skillet with vegetable oil.

7. Sear salmon over high heat, skin side up, for five minutes or until achieving a golden crust.
8. Turn over and cook the other side for five minutes or until fully cooked.
9. Drizzle sauce over salmon and sprinkle with sesame seeds and green onions.

Recipe adapted from DinneratheZoo.com[4]

What You Should Know About Bartering and Taxes

Even if you don’t own a business, you may occasionally trade products or services with someone else instead of paying cash. If you barter, the value of the goods or services you trade is considered taxable income. Here are some things to keep in mind:

- Both parties in a trade must report the fair market value of the products or services they receive as income on their tax returns.

- Barter exchanges, organized marketplaces where members trade goods or services, are required to issue Form 1099-B, “Proceeds from Broker and Barter Exchange Transactions.” You must include the amount earned on your tax return.

- Bartering is taxable in the year the trade occurs. Depending on your individual situation, you may owe income taxes, self-employment taxes, employment taxes, or excise taxes on your bartering income.

If you have questions about how to handle income from bartering or other sources, contact a tax professional.

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax professional.

Tip adapted from IRS.gov[5]

Mixing Golf and Business

Business and golf can mix well – in fact, they often do. If you are inviting clients or customers over to a course for a round (or vice versa), remember that golf is not only a test of skill, but also a measure of character. Playing partners will want to see you at your best, and you should certainly fulfill their expectations.

Some golfers get very emotional, even angry, during a round. Your customers or clients may be, but you shouldn't. Be affirmative, encouraging, pleasant; if the talk turns to business, it should turn to business naturally. Refrain from issuing swing tips or putting pointers. If you can dress in an understated and color-coordinated way, great. Keep the same pace as those golfing with you, and avoid slow play.

Tip adapted from CNBC.com[6]

Keeping Your Heart Rate Up (When Temperatures Are Down)

Colder weather can steal our motivation to leave the warmth of our homes unless we have to. But your workouts don't need to stop during the winter. Here are a few ways you can feel the burn indoors, while Mother Nature keeps it cool outside.

- Hop to it with a rebounder (a mini trampoline) or a jump rope. If you have neither, fake it by keeping your hands to your sides and rotate them to mimic the exercise sans equipment.

- Find a YouTube video or other streaming guided workout. Can't squeeze in a full half hour at once? Pause it and return when you're ready.

- If you can afford it, invest in a piece of workout equipment you know you'll use. If you run or hike, consider a treadmill with an adjustable incline. Like to ride your bike? Think about getting a stationary one.

There are lots of ways to stay fit while winter rages on outside. But don't forget to always make sure to discuss any medical concerns with your health care provider before beginning any fitness routine; the information provided is not a substitute for medical advice.

Tip adapted from RealSimple.com[7]

Green Up Your Business

Are you a business owner? There are quite a few things you can do to save money for your business while helping the environment.

The top thing that you can do to “green up” your business is to buy local. This trend isn’t just for the “farm to table” restaurants, either! Buying your supplies locally supports the businesses and people in your community, while reducing your supply chain’s carbon footprint.

Are you guilty of leaving your computer on when you leave the office? Shutting down your computer at the end of the day can save you an additional 50% in energy costs. Want to save another 25% on your energy bill? Turn off all equipment that’s not in use and watch your monthly bill drop.

Tip adapted from HuffPost.com[8]

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[1] https://www.forbes.com/sites/bobcarlson/2019/01/25/5-ways-to-maximize-social-security-benefits

[2] https://www.fool.com/retirement/2019/12/11/4-steps-to-making-sure-youre-ready-to-retire.aspx

[3] https://www.ssa.gov/planners/lifeexpectancy.html

[4] https://www.dinneratthezoo.com/salmon-teriyaki/

[5] https://www.irs.gov/forms-pubs/about-form-1099-b

[6] https://www.cnbc.com/2014/04/11/tips-for-playing-golf-with-your-clientswall-streetcommentary.html

[7] https://www.realsimple.com/health/fitness-exercise/workouts/indoor-workout-alternatives

[8] https://www.huffpost.com/entry/7-green-ways-to-increase-_b_13505386